

Chapter 3: History of Land Disposal and Relocation Activities

As part of the original compact that created our state, Washington received seven land grants for the support of educational (Common Schools, State University, Agricultural, Normal, and Scientific) and other state institutions (Capitol and CEP&RI).

As one of the later states admitted to the Union, Washington benefited from the experience Congress had gained in granting lands to states, and our state legislature was able to avoid some of the mistakes made by older states. Both Congress and the State placed a number of safeguards to protect the trusts. Limits were placed on how the lands were to be sold, a high minimum bid was set, and limits were placed on the amount of land that could be sold within certain time periods. Early on, the legislature allowed, and under certain circumstances required the sale of timber separate from the land.

The preservation of the corpus of the educational trusts has been an important consideration from the time they were created. When Congress created the educational trusts it made clear its intent that the grants be a permanent endowment for the perpetual support of the educational institutions of the state. Congress distinguished the educational trusts from the institutional grants by requiring that when the state sold or otherwise permanently disposed of educational trust lands, the proceeds be placed in permanent funds and directed that only the interest from the permanent funds could be expended for the support of current beneficiaries.⁴ Proceeds from the sale of the institutional trust lands were to be available to satisfy current beneficiary needs.

In 1889, on behalf of the people of Washington, the delegates to the state's constitutional convention accepted the terms offered by Congress for Washington to enter the Union. In **Article XVI SCHOOL AND GRANTED LANDS**, the people accepted the Grant Lands and agreed to the terms and conditions under which all the trusts were to be managed:

Ch. 1 DISPOSITION OF. All the public lands granted to the state are held in trust for all the people and none of such lands, nor any estate or interest therein, shall ever be disposed of unless the full market value of the estate or interest disposed of, to be ascertained in such manner as may be provided by law, be paid and safely secured to the state; nor shall any lands which the state holds by grant from the United States (in any

⁴ The new state did create a CEP&RI permanent fund. That fund was later liquidated.

case in which the manner of disposal and minimum price are so prescribed) be disposed of except in the manner and for at least the price prescribed in the grant thereof, without the consent of the United States.”

The Constitution was ratified by the people of Washington State at an election held on October 1, 1889, and on November 11 of that year in accordance with Sec. 8 of the Enabling Act, the President of the United States, ~~Benjamin Harrison~~ Grover Cleveland, proclaimed the admission of the state of Washington into the Union. At that moment the federal government officially granted the new state of Washington the rights to 3.2 million acres, seven percent of the area of the state, for the support of public education, buildings, and institutions.

At the constitutional convention there was considerable debate over how the granted lands should be managed. One faction wanted the lands sold as quickly as possible to generate as much funding as possible to help build the education and institutional facilities needed by the new state, while another wanted to prohibit the sale of the trust lands to provide for the maximum long term support of the beneficiaries. In the end, a compromise was struck in Article XVI Section 3 of the Constitution; the lands could be sold but not more than one-fourth could be sold before 1895 and not more than one-half prior to 1905.

In Article XVI Section 4 of the Constitution, convention delegates placed limits on the size of any one sale. No more than 160 acres can be offered for sale in one parcel, and all lands in or within two miles of the boundary of any incorporated city valued at more than \$100 per acre must first be platted and sold in not more than five acres at a time.⁵

At the same time, convention delegates set no limits on the amount of lands that could be leased or the sale of timber from trust lands. This gave the state legislature and the people of the state time to debate the fundamental question of retaining the educational trust lands or liquidating them and placing the proceeds into the permanent funds.

In fact, the state decided to retain most of the trust assets in land. Of the original Educational Grant lands of 2.8 million acres the state has retained 2.0 million acres or more than 71 percent. For the original Institutional Grant lands of 432,000 acres the state has retained more than 262,000 acres or 61 percent. (See Table 1 for detail.)

This pattern of trust land retention was not uniform. The University of Washington’s original grant was almost depleted before statehood. Of the original University grant of 46,080 acres only 2,937 acres or 6 percent remains. Congress did not make grants to territories, but it allowed them to reserve areas for future selection. Ownership did not pass to the state until statehood. In the early 1860s, without benefit of federal authorization or public auction the University founders sold ownership

⁵ The purchasing power of \$100 in 1889 is equal to the purchasing power of \$2,000 today.

**Table 1: Granted Trust Lands
Managed by the Department of Natural Resources**

Grant	Designated Beneficiary	Original Acreage	Sold Acreage [3]	Current Acreage[1]	Percent Retained	Permanent Fund Balance
Educational:						
Common Schools	Common Schools	2,432,564	686,544	1,746,020	72%	\$163,486,502
Agricultural School	Washington State University	90,000	19,267	70,733	79%	\$140,810,235
Scientific School	Washington State University	100,000	19,545	80,455	80%	\$154,847,124
Normal School	EWU, CWU, WWU, & TESC	100,000	35,696	64,304	64%	\$201,486,521
University Original	University of Washington	46,080	43,143	2,937	6%	\$23,769,889
Total Educational		2,768,644	804,195	1,964,449	71%	\$684,400,271
Institutional:						
Capitol	Capitol Buildings	132,000	23,719	108,281	82%	NA
CEP&RI	CEP&RI - as directed by legislature	200,000	130,109	69,891	35%	NA
	Dedicated for support of University of Washington[2]	100,000	16,131	83,869	84%	
Total Institutional		432,000	169,959	262,041	61%	NA

[1] As of July 1, 2001. Some trust lands have been temporarily liquidated with the funds from those transactions being held to purchase replacement lands. These funds are temporarily held in the RPR account, Land Bank, and State Park Transfer account. The majority of these funds involve the common school trust. Actual areas will increase as replacement properties are purchased. "Actual Acres" were not adjusted for anticipated purchases.

[2] In 1893 the legislature designated 100,000 acres of the CEP&RI grant lands for the support of the University of Washington. See Laws of 1893, Chapter 122, Section 9 (uncodified amended by Laws of 1903, Chapter 91, Section 1 (uncodified).

[3] Sold acreage is calculated by subtracting the current acres from the original acres

rights to over half, 20,524 acres, of the not yet granted University lands for \$30,787 at the minimum price of \$1.50 per acre. The University got around the fact that it did not own the land by issuing promises to transfer ownership of the land when the grant was made at statehood.

The University used \$30,400 of the proceeds from these sales to finance the costs of clearing and improving on the original university site and to finance the first University buildings. The territorial legislature directed that future income from land sales be placed in a permanent fund and the University continued to sell land as quickly as they could find purchasers. In fact purchasers helped the University in identifying lands to select. By 1864 according to the University accounting records they had sold rights to most of the original grant, almost 44,000 acres, leaving only about 2,000 acres remaining⁶. Unfortunately the Permanent Fund proved to be permanent in name only and melted away as a result of financial weakness and mismanagement⁷.

Because of concerns about the availability of the grant lands to the territorial University and irregularities in selection and sale of the lands, the Federal Government refused to recognize the sales at the time. But since individuals and private companies who had made the acquisitions were acting upon them by harvesting timber from the lands as if they owned them, eventually in 1864 Congress and the territorial legislature ratified the sales. But because of poor record keeping the exact ownership of all of the land sold by the University was not agreed to by the federal land office until statehood.

After statehood, an additional 931,000 acres were sold from the other trusts' holdings, most prior to 1930. Since 1930 the state has had a policy of retaining trust lands rather than disposing of them. To meet this policy, the legislature has given the department and its precursor agencies tools to dispose of lands while acquiring replacement lands rather than sell the lands and diminish the public land base.

In the 1920s and 1930s Washington faced one of its first major environmental crises - vast areas of private forest land across the state were being neglected and left unproductive. In 1923 to address this growing problem the legislature created the state forest board system and authorized the Director of Conservation to acquire forest lands by gift, or purchase and designate them as state forest lands. Today the state owns 49,400 acres of State Forest Board Purchase Lands.

Other private lands were abandoned and ownership fell to the counties when private owners stopped paying taxes on the lands. In 1935 the legislature required the counties to transfer tax delinquent lands suitable for timber management to the state upon demand by

⁶ The Federal Lands Office eventually disallowed some sales and today the original University Grant contains 2,937 acres.

⁷ See "Public Lands Disposal in Washington", Frederick Jay Yonce, a doctoral thesis approved 1969

the State Forest Board⁸. The State Forester requested and the counties transferred 539,173 acres to the state. These lands constitute the Forest Board Transfer trust⁹.

In 1990 the legislature established the Community and Technical College Forest Reserve and appropriated funds for the acquisition of 3,223 acres. Revenues from these lands go into a special fund for building and capital improvements on community and technical college campuses.

The 1957 legislature created the Department of Natural Resources (**RCW 43.30.030**), consisting of a Board of Natural Resources (board), an administrator (the Commissioner of Public Lands) and a supervisor, and transferred to the department the responsibility for management of the trust lands. One of the duties given to the board by the legislature (**RCW 43.30.150**) is to develop policies to guide the department in administering, including the disposition and acquisition of trust lands to achieve the “maximum effective development and use of these lands.”

3.a Exchanges:

In 1932 the state requested and Congress amended Sec. 11 of the Enabling Act to allow the exchange of federally granted trust lands. The amendment authorizes the exchange of any of the granted lands for other lands, public or private, of equal value and as near as may be of equal area. This gave the state a tremendous tool to reposition trust lands into a more productive configuration. As a result of an active exchange program, much of the original grant lands in western Washington have been exchanged for other lands to form larger more economically manageable blocks. As a secondary benefit, these blocks also provide greater opportunity for multiple use benefits from trust lands.

Current trust land ownership in Eastern Washington still reflects the original checkerboard grant of section 16 and 36 lands and Indemnity or Lieu land blocks next to federal lands and Indian Reservations where Sections 16 and 36 were devoted to prior uses. See map, "Major Public Lands of Washington" for detail¹⁰. The department is pursuing exchange and other real asset relocation opportunities to improve land positioning in Eastern Washington that will increase revenues to beneficiaries.

In **RCW 79.08.180** the legislature authorized the department to exchange any state land and any timber thereon for any land of equal value. In **RCW 79.08.180 (7)** the legislature directed the department not to use exchanges to reduce the publicly owned forest land base. And in **RCW 79.08.180 (8)** the legislature required that each land exchange be in the best interest of the trust for which the land is held.

⁸ The State Forest Board was one of the precursor entities to the department and was abolished when the Department of Natural Resources was created in 1957.

⁹ See State Forest Board Lands: A report to the Counties - 1987, prepared by the Department of Natural Resources for detail.

¹⁰ The Public lands map is available upon request from the department, but is not included in this report.

Table 2 is a summary of the trust land exchanges since 1989. The department has exchanged 116,000 acres of trust land properties valued at \$450 million for 143,000 acres valued at \$453 million, resulting in a net increase of 27,000 acres.

In addition to the authority to exchange properties, the legislature has given the department three additional methods to sell or transfer, and reposition assets to create a more manageable and productive portfolio. These include the land bank, direct transfer, and trust land transfer programs. See Figure 1 for detail.

3.b Land Bank:

In the early 1980s, the department was unable to find exchange partners for some parcels with low potential for natural resource management or low income-generating potential or that were inefficient for the department to manage. This was and continues to be the case for some trust lands in areas that are transitioning from forestry to other uses.

In 1984, the legislature found in **RCW 79.66.010** that “from time to time it may be desirable for the department of natural resources to sell state lands which have low potential for natural resource management or low income-generating potential or which, because of geographic location or other factors, are inefficient for the department to manage” and “acquire lands for long-term management to replace those sold.” The legislature also states in **RCW 79.66.010**, “it is also important to acquire lands for long-term management to replace those sold so that the publicly owned land base will not be depleted and the publicly owned forest land base will not be reduced.”

Based on these findings the legislature created the land bank in **RCW 79.66.020** and directed the department to purchase replacement properties “which would be desirable for addition to the public lands of the state because of the potential for natural resource or income production of the property” and exchange them through the land bank. This creative exchange mechanism was predicated on a long held policy of not depleting the states land base.

3.c Trust Land Transfer:

In the late 1980s, the legislature recognized that the ecological and recreational benefits from some trust lands were of high value to the citizens of Washington State and that these values would be diminished if timber on these lands were harvested. The legislature also recognized that many of these same lands were difficult to manage for commodity production, and as a result had low income potential for the beneficiaries. Some of these lands were being classified as inoperable, and had been removed from the sustainable harvest base, eroding the potential productivity of the corpus of the trusts and reducing both current and expected future incomes.

Table 2: Trust Land Exchanges Since 1989

FILE	Exchange Name	Acres Disposed	Value Disposed	Acres Acquired	Value Acquired	Trusts {1}
515	BLM	6,191.00	1,096,000	4,122.00	1,103,000	CS
71906	CAMPBELL	40.00	195,000	45.00	192,000	CS
512	TWIN FALLS - ARLINGTON	183.00	674,000	970.00	709,000	FB
494	GOODYEAR NELSON	1,120.00	5,302,000	1,320.00	6,415,000	FB, CS
490	BLOEDEL	2,396.00	12,939,000	2,715.00	13,112,000	FB, CS, CB
473	CHAMPION	7,228.27	66,860,000	11,238.18	66,871,000	CS, CB, CEPRI
499	WEYERHAEUSER	2,041.17	26,243,000	5,098.00	26,416,000	CS
496	FRIEND	20.00	215,000	64.00	245,000	CS
T93FVIR	BLENK	0.16	2,000	0.16	2,000	FB
475	FULLNER	40.00	166,363	40.00	169,827	FB
457	LARKSPUR	569.58	1,821,000	680.00	1,846,000	CS
T1397	DECKER	2.70	11,000	4.00	11,000	FB
468	MURRAY PACIFIC	515.00	9,664,300	1,390.00	9,808,315	FB, CS, CB
394	AGNEW	801.47	2,901,661	1,210.00	2,901,691	FB, CS
460	TRILLIUM	9,289.00	32,090,762	10,901.00	32,140,352	FB, CS, CB, NS, SS
321	MCCONNELL	60.00	45,000	55.00	68,750	CS
351	BLM	1,340.40	1,248,482	366.75	1,247,582	CS
T1376	BROOKS	21.30	44,200	47.00	58,700	SS
378	LAKE CHAPLAIN	368.26	2,765,800	373.11	2,749,200	FB, CS
441	MICHEL	480.00	160,000	219.83	385,000	CS
349	PEND OREILLE	10,197.13	13,656,685	10,540.33	13,658,265	CS
424	WALLACE FALLS	125.20	859,831	131.40	859,707	FB
409	SPADA LAKE	629.50	2,332,718	667.80	2,338,376	CS
393	WEYERHAEUSER	26,953.31	126,194,818	38,008.39	125,131,040	FB, CS, AG, NS, CEPRI, SS, CB
426	ROCKY PRAIRIE	120.00	760,924	35.00	765,800	CS
211	BAKER-SNOQUALMIE	4,239.35	24,785,809	4,396.50	24,829,001	FB, CS, NS, SS
414	WIDCO COAL FIELD	83.19	30,800	39.50	30,800	FB
430	GIBBS LAKE	-	3,037,323	658.00	3,033,110	FB
406	REXROAD	2.20	4,950	2.20	4,950	UNIV
384	POPE	3,431.62	5,425,824	3,938.45	5,684,231	FB, CS, CEPRI, CB, SS, UNIV
177	HYDRO BOUNDARY -1	876.83	3,804,049	589.82	3,762,743	FB, CS
192	HYDRO BOUNDARY - 2	488.33	1,571,858	417.33	1,599,839	FB, AG, CB
272	STEVENS-FERRY	5,851.19	2,028,715	5,210.42	2,305,202	CS
418	MIMA PRAIRIE	310.00	1,231,064	1,003.00	1,231,100	FB, CS
372	CRYSTAL LAKE	114.00	1,547,785	146.00	1,558,775	CS
374	VAAGEN	332.00	457,396	616.00	468,135	CS, NS
331	REDMOND HEIGHTS	161.00	3,500,000	5.67	3,675,000	CS
301	SIMPSON	23,224.53	37,592,583	24,253.72	37,766,017	FB, CS, UNIV, CEPRI, CB, SS
		109,846.69	\$393,267,700	131,518.56	\$395,153,508	

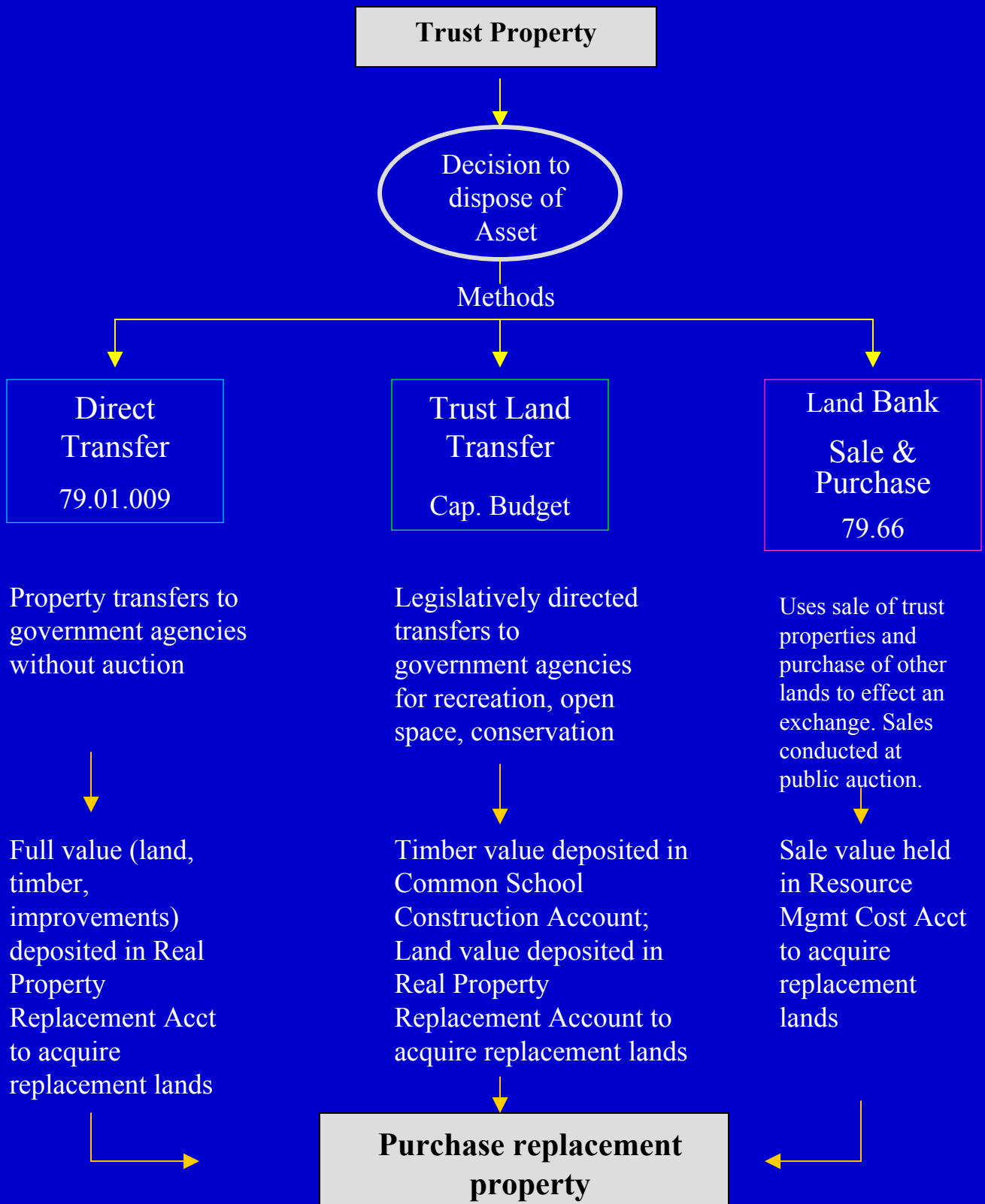
Combined Exchange and Purchase Transactions: {2}

72712	LONG LAKE/WALGREENS	45	5,400,000	2.5	5,400,000	CS, AG, CEPRI, UNIV
505	PLUM CREEK	3583	18,808,100	8545	20,079,100	FB, CS, CB
71666	SEGALE	200	15,000,000	12	15,000,000	CS
71937	MANKE	2487	10,448,000	2674	10,455,000	FB, CS, SS, CEPRI
520	CREEKVIEW	80.88	7,000,000	4.21	7,000,000	CS
		6,395.88	\$ 56,656,100.00	11,237.71	\$ 57,934,100.00	

Combined Totals	116,242.57	\$	449,923,800	142,756.27	\$	453,087,608
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{1}	CS = Common School, FB = Forest Board, CB = Capitol Building, CEPRI = Charitable, Educational, Penal & Reformatory Institutions, NS = Normal School, SS = Scientific School, AG = Agricultural School, UNIV = University (original & transferred)				
{2}	Commercial property acres and values also included				

Figure 1: DNR Trust Land Replacement Accounts



Simultaneously, the legislature was struggling with increasing demand for state funding to support school construction to house a growing school population. This demand was beyond what the Common School Trust revenues could support. The legislature also recognized that because demand would be ongoing it was important to preserve the real asset portion of the corpus of the trusts to provide income to future beneficiaries.

In 1989, the legislature created the Trust Land Transfer program to address all these problems while maintaining its trust responsibility to both current and future beneficiaries.

Under the trust land transfer program, “trust lands the legislature has identified as being of state-wide significance deemed appropriate for state park, fish and wildlife habitat, natural area preserve, natural resources conservation area, open space, or recreation purposes”¹¹ are purchased with general funds appropriated by the legislature and transferred to eligible recipients (local jurisdictions, State Parks, DNR's Natural Areas Program, etc.) for management. The value of the timber is deposited in the beneficiary's current account, and the value of the land transferred is deposited in the RPRA. The legislature then provides a capital budget appropriation from the RPRA with which the department purchases replacement property for the affected trust.

Each biennium the legislature has provided an appropriation with a proviso directing how the department is to make the trust property transfers. In the provisos the legislature has:

- 1) Limited the appropriation to purchasing Common School Grant lands.
- 2) Directed the department to use “intergrant exchanges between Common School and other trusts' lands of equal value if the exchange is in the interest of each trust.”
- 3) Suspended the resource management cost account deduction and authorized “all reasonable costs” be paid out of the appropriation. Authorized costs include “the actual cost of appraisals, staff time, environmental reviews, surveys, and other similar costs.” Only 2 percent of the monies appropriated from trust land transfer have been spent on costs.
- 4) Generally, required that 80 percent of the transferred value must be in timber.
- 5) Directed the department to “offset transfers of property with low timber-to-land ratios with easements on other properties”
- 6) Directed that at the end of each biennium, all unused General Fund appropriation for trust land transfer be transferred to the Common School Construction fund.

¹¹ From 2001-03 Biennial Budget proviso.

Table 3: Trust Land Transfer Property Transfers from FY 1989 through the FY 2002

<u>Agency Receiving property</u>	<u>Timber Value Transferred to Beneficiary</u>	<u>Land Value Deposited in RPRA¹²</u>	<u>ACRES Transferred Out of Trust Status</u>
DNR NAP/NRCA ¹³	\$207,577,500	\$28,558,500	54,226
Washington State Parks & Recreation Commission	70,181,000	25,735,000	14,515
Washington State Dept. of Fish & Wildlife	1,230,000	375,000	302
Local Governments	21,752,000	7,002,000	2,278
Direct into Beneficiary Account (Unused)	14,603,720		
Total	\$315,344,220	\$61,670,500	71,321

From 1989 through the 2002 biennium, more than \$300 million has been deposited directly to trust beneficiaries through the trust land transfer program and more than 71,000 acres have been transferred to non-trust status. See Table 3 and Table 4 for detail on property transfers under the trust land transfer program.

3.d Direct Transfers and Real Property Replacement:

In 1992 the legislature authorized the department, with the approval of the Board of Natural Resources, to directly transfer trust property to public agencies or to resolve trespass and ownership disputes without first going to public auction.

In **RCW 79.01.009** the legislature gave the department the authority to “directly transfer or dispose of real property, without public auction, in the following circumstances: (a) Transfers in lieu of condemnations; (b) Transfers to public agencies; and (c) Transfers to resolve trespass and property ownership disputes.”

The legislature required in **RCW 79.01.009** that real property “be transferred or disposed of only after appraisal and for at least fair market value, and only if such transaction is in the best interest of the state or affected trust.” When the property in question is non-trust the interest of the state in the transaction would be considered. When trust property is

¹² Includes value of land portion of transfer used to purchase replacement property prior to the creation of the RPRA in 1992.

¹³ Department of Natural Resources Natural Area Preserve/Natural Resource Conservation Area

being considered for transfer or disposal the transaction would be approved only if in the best interest of the affected trust.

In keeping with previous legislative direction to maintain the land base managed by the department on behalf of the trusts, the legislature created the Natural Resources Real Property Replacement Account (RPRA) to complete real property transactions without reducing the real property asset base. The legislature directed that funds paid for trust real property transferred by the department under this section be placed in the RPRA and that such funds be used solely for the acquisition of replacement trust property.

In **RCW 43.30.265** the legislature found “that the department of natural resources has a need to maintain the real property asset base it manages and needs an accounting mechanism to complete transactions without reducing the real property asset base.” The legislature directed that the RPRA “shall consist of funds transferred or paid for the disposal or transfer of real property by the department of natural resources under **RCW 79.01.009**,” and that funds in the RPRA could “be used solely for the acquisition of replacement real property and may be spent only when, and as, authorized by legislative appropriation.”

A summary of the properties sold or transferred out of trust status under the land bank, direct transfer and trust land transfer programs is shown in Table 4.

Table 4: Trust Land Sales & Transfers FY 1989 Through FY 2002

	Acres Disposed	Sale Price	Percent of Total
Part A: Sale Authority			
Land Bank	3,410	\$17,362,072	4.13%
Direct Transfer	9,724	\$38,645,234	9.20%
Trust Land Transfer	71,320	\$362,411,000	86.25%
State Parks Replacement {1}	371	\$1,744,300	0.42%
Total	84,825	\$420,162,606	100.00%
Part B: Property Type			
Forest - Commercial	893	\$6,046,000	1.44%
Forest - Urban/Transition {2}	21,005	\$144,846,406	34.46%
Forest - Special Lands {3}	55,696	\$257,721,200	61.32%
Other - Special Lands {3}{4}	7,231	\$11,679,000	2.78%
Total	84,825	\$420,292,606	100.00%
Part C: Trust			
Common School	80,820	\$415,399,152	98.84%
Capitol Building	544	\$994,600	0.24%
CEPRI {4}	2,962	\$549,900	0.13%
Agricultural School	9	\$56,500	0.01%
University Original	24	\$206,654	0.05%
Forest Board	339	\$1,675,300	0.40%
Scientific School (WSU)	127	\$1,410,500	0.34%
Community & Tech. College	-	\$0	0.00%
Total	84,825	\$420,292,606	100.00%

{1} Includes legislatively mandated sales of Forest Board land to State Parks.

{2} Urban lands are located in or near towns and have been determined difficult to manage by the department. Transition lands are resource lands that are converting to other uses and no longer economical to retain for forest management.

{3} Special lands are forest lands with significant features for recreation, habitat, or open space, and that are no longer suitable for fiduciary trust management.

{4} Includes 2,880 acres of grazing land.

Table 5: Replacement Trust Acquisitions FY 1989 through FY 2002

	Acres Acquired	Purchase Price	Percent of Total
Part A: Source of Funding			
Land Bank (RMCA)	42	\$21,618,250	17.00%
Direct Transfer (RPRA)	4,753	\$32,156,490	25.29%
Trust Land Transfer (RPRA)	32,400	\$59,129,886	46.51%
<i>Other appropriations {1}</i>	1,990	\$3,239,100	2.55%
<i>Exchange portion of commercial properties {1}</i>	8	\$11,001,215	8.65%
Total	39,193	\$127,144,941	100.00%
Part B: Property Type			
Forest	37,994	\$55,590,686	43.72%
Agricultural	1,154	\$2,504,255	1.97%
Commercial	45	\$69,050,000	54.31%
Total	39,193	\$127,144,941	100.00%
Part C: Trust			
Common School	37,178	\$122,555,341	96.39%
Capitol Building	24	\$33,000	0.03%
CEPRI	7.07	\$146,000	0.11%
Agricultural School (WSU)	0.03	\$64,600	0.05%
University (Original)	0.57	\$1,254,000	0.99%
Forest Board	1,476	\$1,692,000	1.33%
Scientific School (WSU)	-	\$0	
Community & Tech. College	507	\$1,400,000	1.10%
Total	39,193	\$127,144,941	100.00%

{1} These figures are included to account for the acres and funds shown in Tables 10, 11, & 12. Replacement funds from other legislation total \$1,692,000; the remaining funds indicate new acquisitions or land exchanges.

3.e Trust Property Replacement:

Regardless of the source of funds - land bank, direct transfer, or trust land transfer; the department uses the same process to acquire replacement trust property. The department first identifies income-generating properties that are suitable for trust management (See Appendix A for acquisition criteria by asset class) and available from a willing seller at a reasonable price. Candidate properties are examined, evaluated, and appropriate candidates for acquisition are presented to the Board of Natural Resources for final approval. The board determines if the purchase is in the best interest of the trust, and approves or rejects the purchase accordingly. If the board approves the acquisition, the department then purchases the property.

A summary of the replacement trust properties purchased by the department is shown in Table 5. Since 1989 the department has purchased \$127.1 million in replacement trust property. Of this, \$59.1 million was for replacement of properties transferred through the trust land transfer program (RPRA), \$32.2 million for replacement of Direct Transfers (RPRA), \$21.6 million for replacement of trust property through the Land Bank (Resource Management Cost Account), and \$14.2 million were the exchange portion of commercial property acquisitions or from special appropriations-. See Table 5 Part A for detail.

The department has used the trust land replacement programs to purchase three types of property; forest, agricultural and commercial. The department's objective is to diversify the trusts' real property holdings without reducing the publicly owned forest land base as directed by the legislature in **RCW 79.08.180** and **RCW 79.66.010**. Of the \$127.1 million in trust replacement property purchased by the department since 1989, 44 percent by value has been forest land, 2 percent agricultural land, and 54 percent commercial properties. See Table 5 Part B for detail.

Because the trust land transfer program is limited to Common School Trust lands, and because of the size of the Common school Trust and the location of School lands in rural transition areas, the majority of replacement property purchases have been School Trust lands. (See Table 5 Part C for detail.) The current fund balance of the RPRA and the Land Bank are shown in Table 6.

Table 6: Current Fund Balance Natural Resource Real Property Replacement Account

Grant	Millions of Dollars	Percent of Total
Common School	\$21.00	91.0%
State University (Orig)	\$0.10	0.4%
Scientific University	\$1.50	6.5%
Capitol	\$0.45	2.3%
Agricultural University	\$0.02	0.1%
Total	\$23.07	100.0%

(1) As of August 1, 2002